Fiscal Year 2018 Tax Classification Hearing

Jan Dangelo, MAA
Director of Assessing

November 13, 2017

Fiscal Year 2018
Tax Classification Hearing

This is the process we will discuss this evening:

The Selectmen will be asked to **vote on Classification**, which is splitting the tax rate.

We will also ask you to consider a residential exemption and/or a commercial exemption.

We will advise you of the Excess Levy Capacity

And we will present additional information including:

- Property Assessment Review
- New Growth
- Projected Taxes and Potential Impact of a Split Rate

Fiscal Year 2018
Tax Classification Hearing

First, I would like to go over some **Commonly Used Terms**:

NEW GROWTH: Additions to the tax base from new construction and property improvements.

LEVY: Revenue raised through property taxes

LEVY LIMIT : Maximum dollar amount a Town can raise in a fiscal year. (Prior years Levy + 2 ½% + New Growth + Debt Exclusion)

EXCESS LEVY CAPACITY: Difference between the levy and the levy limit

DEBT EXCLUSION: A temporary increase to the levy to pay for capital projects as voted

CIP: Class that includes Commercial, Industrial, & Personal Property

MRF: Minimum Residential Factor. This factor represents the minimum percentage of the levy the Residential class must pay.

Fiscal Year 2018
Tax Classification Hearing

The purpose of the classification hearing is to determine the percentage share of the tax levy that each class of property will pay.

The minimum residential factor is determined by the make up of the tax base. This factor allows the Board of Selectmen to shift the burden towards Commercial & Industrial taxpayers to a maximum of 150%.

The Board of Selectman vote that shift.

The adopted percentage is then used to determine the tax levy paid by each class of property and calculate the resulting tax rates.

Shifting taxes onto the CIP class does not increase the amount of revenue collected.

Residential Factor

The minimum residential factor is 86.7135%.

This is the factor that would allow a split tax rate toward the CIP class up to 150%.

A residential factor of 1.00 will maintain a single tax rate. A residential factor below 1.00 will result in a split tax rate.

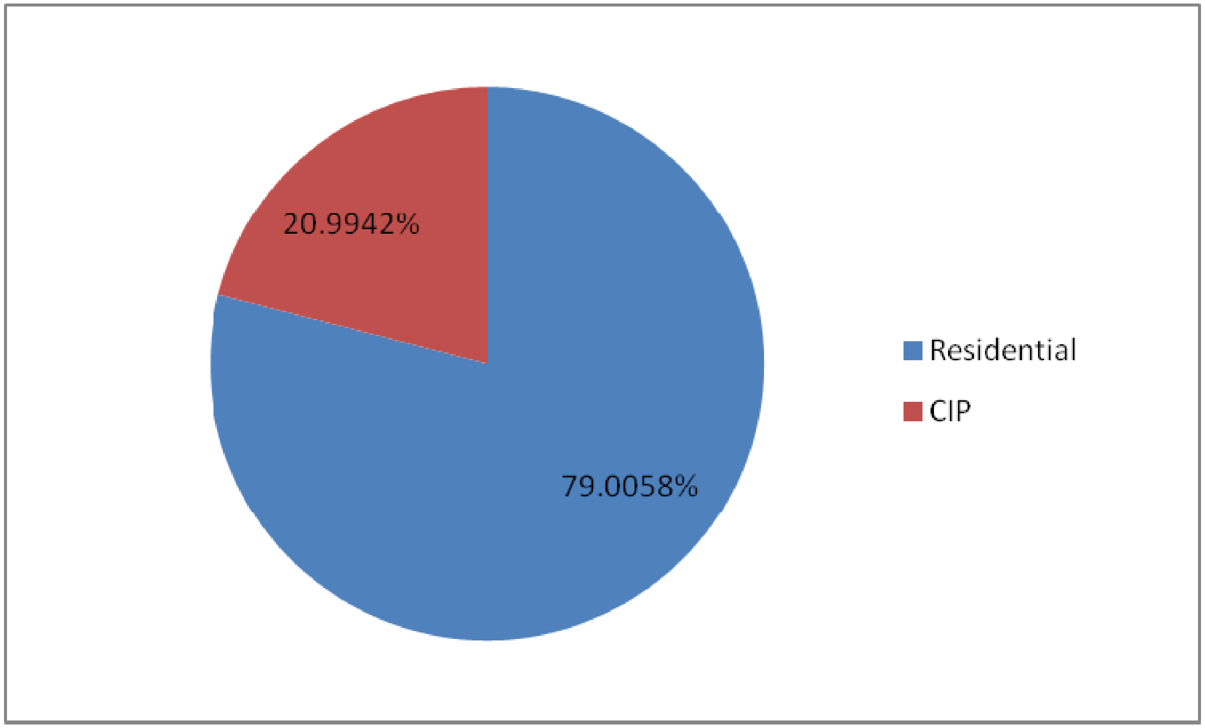
A 150% shift would increase the commercial tax rate by $6.53 per thousand and reduce the residential rate by $1.73 per thousand.

In FY2017, 109 of 351 communities elected to split the tax rate.

The maximum allowable shift for Natick is 150%

Levy Allocation

The chart illustrates what portion of the levy would be paid by the Residential class versus the Commercial, Industrial, and Personal Property classes.



Classification Percentages

While CIP property values have increased; there has been an increase to residential properties in comparison with last year. This increase is roughly one percent (1.0969%)

	Residential	CIP
Fiscal Year 2017	**77.9089%**	**22.0911%**
Fiscal Year 2018	**79.0058%**	**20.9942%**
% Change	**1.0969%**	**-1.0969%**

Classification Impact Examples

The chart shows the impact on different properties if the tax burden was shifted towards the CIP classes.

			Tax Levy Shift					
Type	Typical Property	Assessmt	100%	110%	120%	130%	140%	150%
Resid	Condo @ Natick Village	189,000	$ 2,466	$ 2,400	$ 2,336	$ 2,270	$ 2,204	$ 2,139
Resid	Single Family-Average Value	529,600	$ 6,911	$ 6,726	$ 6,546	$ 6,360	$ 6,175	$ 5,995
Resid	Single Family-New $1mill House	1,000,000	$ 13,050	$ 12,700	$ 12,360	$ 12,010	$ 11,660	$ 11,320
Resid	Sm. Apartment	1,500,000	$ 19,575	$ 19,050	$ 18,540	$ 18,015	$ 17,490	$ 16,980
Resid	Lg. Apartment	15,000,000	$ 195,750	$ 190,500	$ 185,400	$ 180,150	$ 174,900	$ 169,800
Comm	Gas Station	750,000	$ 9,788	$ 10,770	$ 11,745	$ 12,728	$ 13,703	$ 14,685
Comm	Small Retail	1,000,000	$ 13,050	$ 14,360	$ 15,660	$ 16,970	$ 18,270	$ 19,580
Comm	Office Bldg	40,000,000	$ 522,000	$ 574,400	$ 626,400	$ 678,800	$ 730,800	$ 783,200
Comm	Retail Mall	320,000,000	$ 4,176,000	$ 4,595,200	$ 5,011,200	$ 5,430,400	$ 5,846,400	$ 6,265,600
			Residential Change	-2.68%	-5.29%	-7.97%	-10.65%	-13.26%
			Commercial Change	10.04%	20.00%	30.04%	40.00%	50.04%

A shift would benefit residential properties. Large apartment complexes such as Avalon and Modera are considered residential and thus would benefit from a shift and would pay less taxes.

Levy Limit Calculation

TO CALCULATE THE FY2018 LEVY LIMIT		
A. FY2017 Levy Limit from I.	99,501,597	
A1. ADD Amended FY2017 Growth	0	
B. ADD (IIA + IIA1) X 2.5%	2,487,540	
C. ADD FY2018 New Growth	1,171,844	
C1. ADD FY2018 New Growth Adjustment		
D. ADD FY2018 Override		
E. FY2017 Subtotal	103,160,981	
		$ 103,160,981
F. FY2018 Levy Ceiling	205,725,056	FY2018 Levy Limit
TO CALCULATE THE FY2018		
MAXIMUM ALLOWABLE LEVY		
A. FY2018 Levy Limit from II.	103,160,981	
B. FY2018 Debt Exclusion(s)	4,233,837	
C. FY2018 Capital Expenditure Exclusion(s)		
D. FY2018 Stabilization Fund Override		
E. FY2018 Other Adjustment		
F. FY2018 Water / Sewer		
G. FY2018 Maximum Allowable Levy		$ 107,394,818
		MAXIMUM LEVY

Maximum Allowable Levy

The maximum levy allowed for fiscal year 2018 is $107,394,818

(This includes the debt exclusion of $4,233,837)

Excess Levy Capacity

(Levy Limit + Debt Exclusion) - (Actual Levy) = (Excess Levy)

$107,394,818 -	$107,388,479 =	$6,339
(Maximum Levy)	(Actual Levy)	(Excess Levy)

This years Excess Levy capacity is $6,339

This is the difference between the Maximum Levy and our Actual Levy.

Residential Exemption

The board may also adopt a residential exemption of up to 35% of the average value of ALL residential properties. The average value of the residential class is $504,700.

The residential exemption shifts the tax burden within the residential class only. It does not split the tax rate. Non-owner occupied, vacant land, and many residential properties would actually pay a higher tax.

The residential exemption works well in communities with a high percentage of non-resident property owners such as the Cape and communities with a large number of apartments and rental units.

Natick does not have a high percentage of non-resident owners.

Owner occupied condominiums in West Natick would benefit most from a residential exemption.

This exemption does not make sense for a community like Natick.

Residential Exemption Examples

Selected Exemption		0%	5.00%	10.00%	20.00%	35.00%
Residential Exemption		$0	$25,225	$50,450	$100,900	$176,575
Residential Tax Rate		13.05	13.63	14.25	15.70	18.53
Commercial Tax Rate		13.05	13.05	13.05	13.05	13.05
	Assess	**Tax**	**Tax**	**Tax**	**Tax**	**Tax**
Owner Occupied Condo	190,400	2,485	2,251	1,994	1,405	256
Owner Occupied Home	350,000	4,568	4,427	4,269	3,911	3,214
Vacant Land or Non Owner Occupied Home	350,000	4,568	4,771	4,988	5,495	6,486
Owner Occupied Home (Average Value)	570,700	7,448	7,435	7,414	7,376	7,303
Non Owner Occupied Home (Average Value)	570,700	7,448	7,779	8,132	8,960	10,575
Owner Occupied Home	800,000	10,440	10,560	10,681	10,976	11,552
Owner Occupied Home	1,200,000	15,660	16,012	16,381	17,256	18,964
Commercial Office Building	1,200,000	15,660	15,660	15,660	15,660	15,660

Residential Exemption

Fourteen communities adopted a residential exemption in 2017.

Barnstable	Everett	Somerville
Boston	Malden	Tisbury
Brookline	Nantucket	Waltham
Cambridge	Provincetown	Watertown
Chelsea	Somerset	

Small Commercial Exemption

The board may also approve a small commercial exemption of up to 10%.

This is only available to businesses that employ less than 10 people annually (as certified by the Department of Labor and Workforce Development) and are situated in a building that is valued less than $1,000,000.

All businesses at the property must qualify. In Natick, approximately 21 properties may be eligible.

Small Commercial Exemption

Twelve communities adopted a small commercial exemption in 2017. Eleven out of twelve also have a split tax rate.

Auburn	Erving
Avon	New Ashford
Bellingham	Seekonk
Berlin	Somerset
Braintree	Westford
Dartmouth	Wrentham

***Adopting a small commercial exemption without classifying (split) taxes, could result in a tax rate for some commercial properties less than the residential rate.**

Again, this exemption does not make sense for our community.

Property Assessment Review

Eric Henderson, CAE, MAA
Assistant Assessor

Property Assessment Review

Why do we change the assessed values?

- ***We are required to***. Under the guidelines of the Department of Revenue and Massachusetts General Laws, Chapter 59, we are required to assess property at 100% full and fair cash valuation.

What does this mean?

- It means that our assessed values have to reflect the market, i.e. what properties are selling for.
- The Department of Revenue reviews and approves our values annually, completing a full audit every 5 years. If our values are not "market value" they will not be approved.

Property Assessment Review

Overall, residential and commercial values have increased based on current market conditions.

The residential sales market has been driven by high demand and increased prices. The commercial market has remained consistent and has benefited from low interest rates and stable vacancy and rental rates.

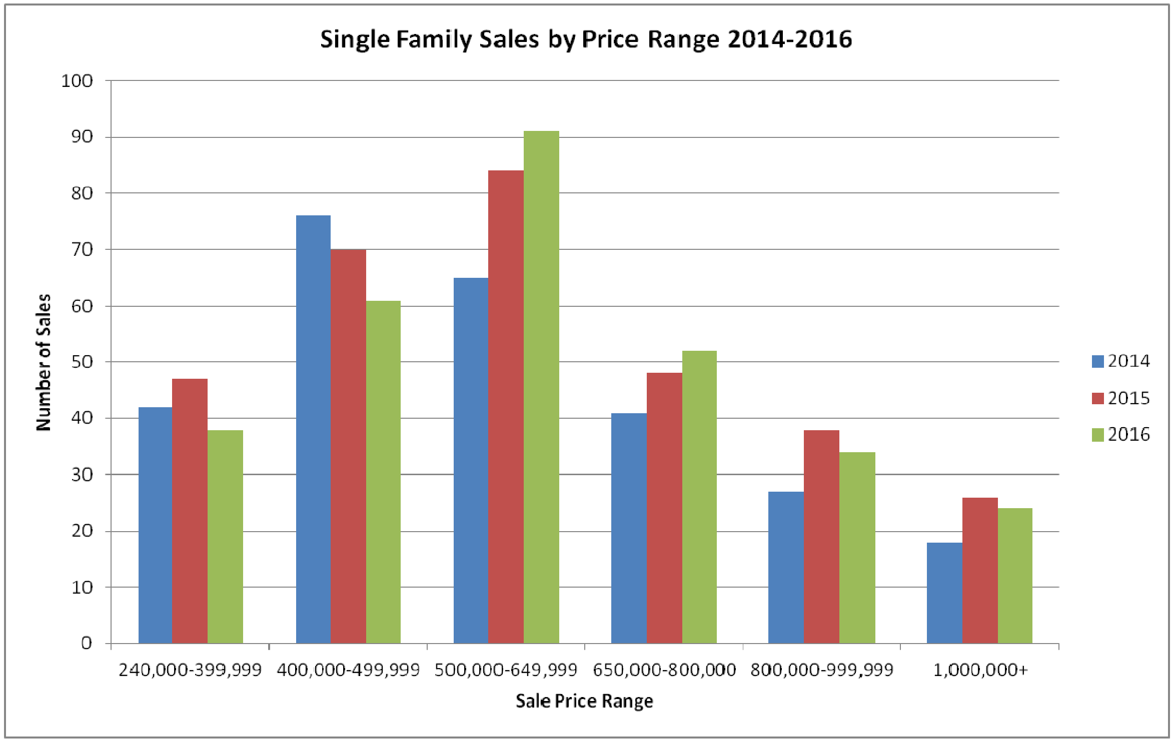
The average single family assessment increased from $529,607 to $570,732. This reflects the desirability of properties in the Town of Natick. If a single tax rate is adopted by the Board of Selectmen we will see an increase of $303.65 to the average single family tax bill. However, 5,304 out of the 8,524 *(62%)* single family homes are below the average assessment and thus will see a tax increase of less than that.

The tax rate decreases by forty four cents per thousand ($0.44).

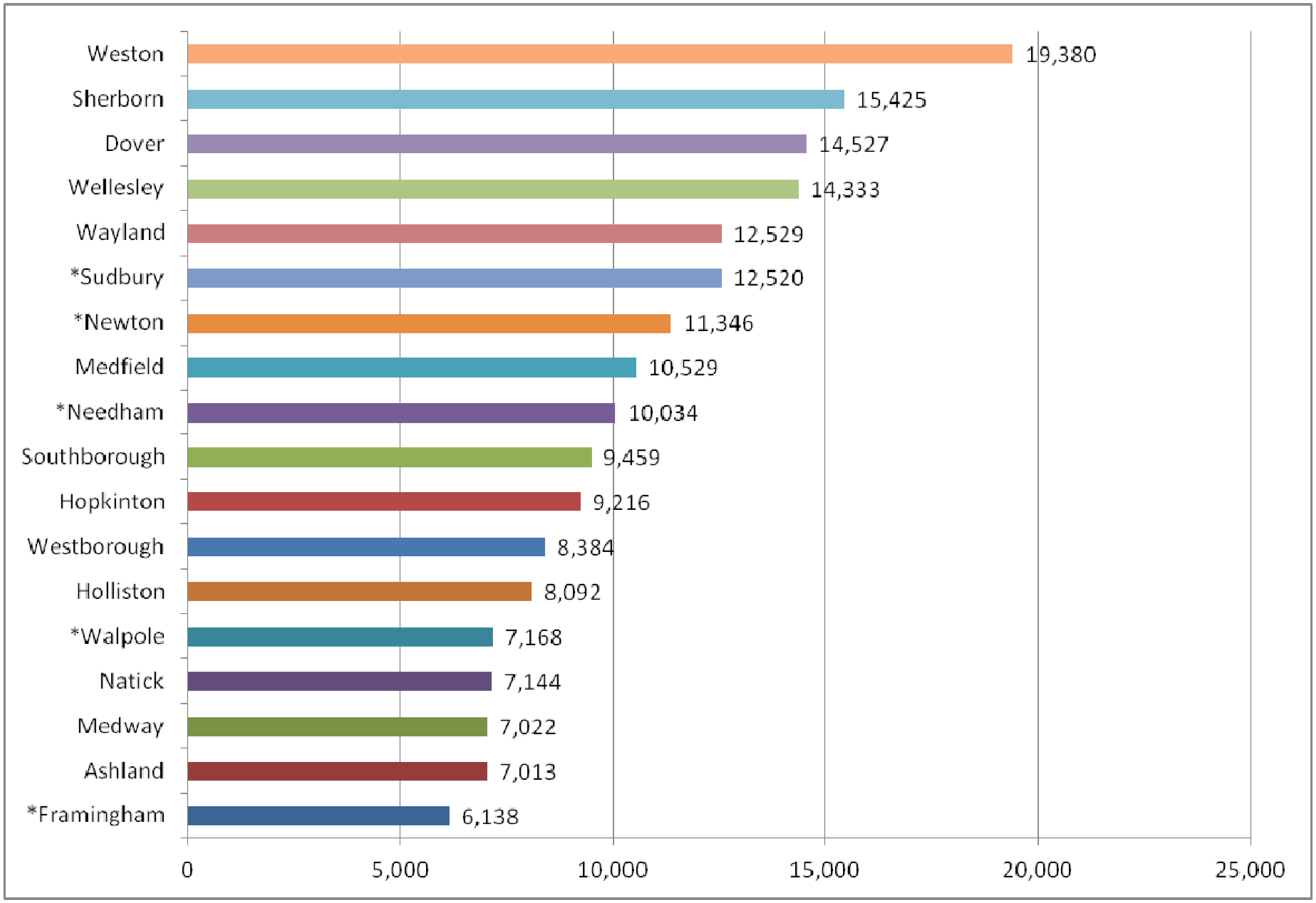
Property Assessment Review

The following chart illustrates single family sales prices for calendar years 2014-2016. It shows trends including a decrease in the number of sales in the $400,000-499,000 range and an increase in the number of sales in the $500,000-800,000 ranges.

This chart also shows that the majority of 2016 sales are in the 500,000 to 649,999 range. This corresponds with the average single family value of $570,732.



Single Family Tax Bill Comparison Fiscal Year 2017



* Indicates split tax rate

New Growth

Our New Growth Value was certified and approved by the Dept. of Revenue September 6th 2017 at Eighty six million eight hundred sixty seven thousand five hundred ninety seven dollars.

$**86,867,597**

The major factors contributing to this total are:

Real Estate **$76,255,100**

Condominiums ($6,565,600) – 7 new units, 4 conversions, other renovations

Single Family Homes ($42,281,600) – 21 new houses with average value of $913,176. Other additions and renovations

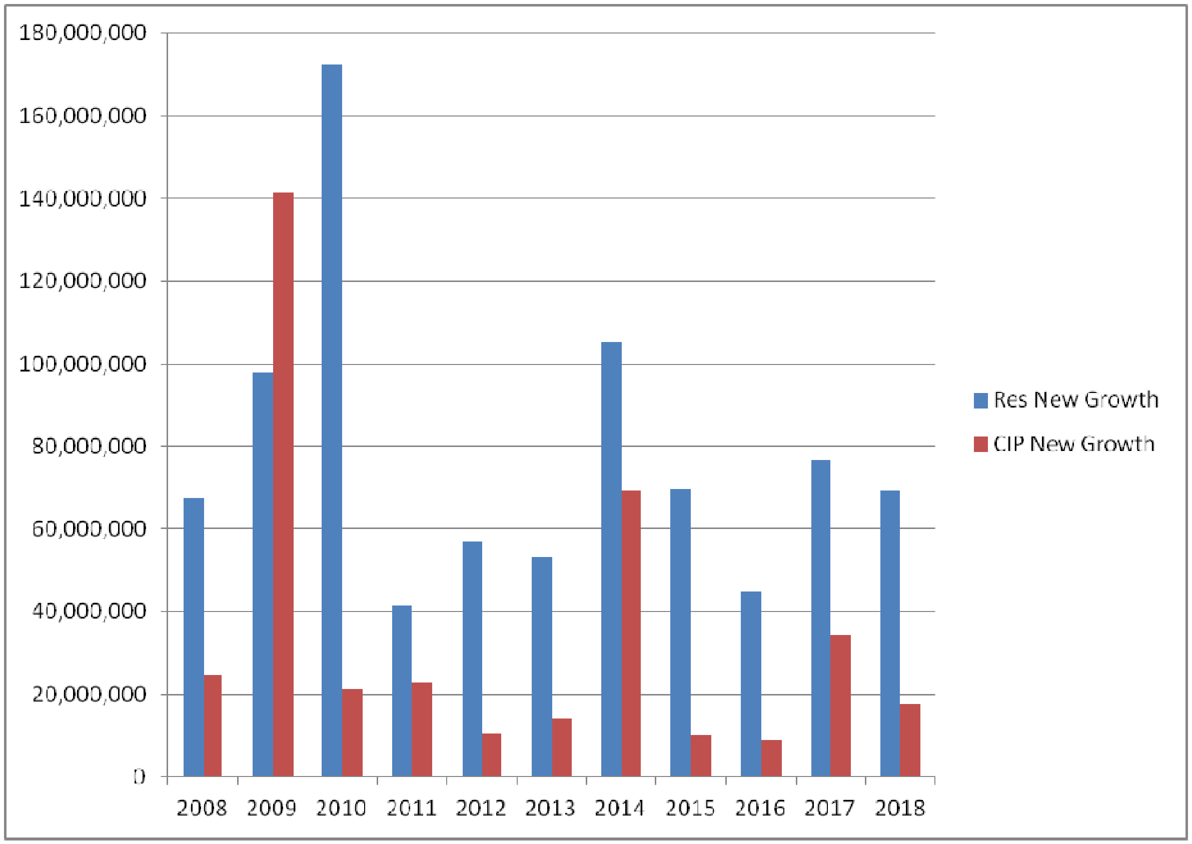
Multi–Family ($14,674,500) - Completion of Modera project

Personal Property **$10,612,497**

Approximately 137 new accounts and the addition of new assets to existing accounts. Majority of growth came from utility corporations with over $6.3 million dollars in new equipment.

Historical New Growth Residential & CIP

As shown in this chart, new growth can vary greatly by year. Growth is often dependent on the health of the economy and is also affected by large projects.



TOP TEN TAXPAYERS – FISCAL YEAR 2018

REAL ESTATE OWNER	REAL ESTATE VALUE	REAL ESTATE TAXES	PERSONAL PROPERTY VALUE	PERSONAL PROPERTY TAXES	FY2018 ASSESSED TOTAL	TOTAL TAXES (RE & PP)
GENERAL GROWTH PROPERTIES (NATICK MALL)	$322,714,300	$4,211,422	$2,340,570	$30,544	$325,054,870	$4,241,966
MATHWORKS INC	$156,711,300	$2,045,082	$335,690	$4,381	$157,046,990	$2,049,463
AVALON NATICK LLC	$81,767,200	$1,067,062	$53,590	$699	$81,820,790	$1,067,761
HC ATLANTIC DEVELOPMENT LP	$67,865,000	$885,638		$0	$67,865,000	$885,638
COGNEX CORPORATION	$41,463,100	$541,093		$0	$41,463,100	$541,093
FRANCHI PASQUALE	$40,903,700	$533,793		$0	$40,903,700	$533,793
DDH HOTEL LLC	$38,753,000	$505,727	$984,490	$12,848	$39,737,490	$518,574
NATICK VILLAGE INVESTMENT LTD PARTNERSHIP	$38,098,800	$497,189		$0	$38,098,800	$497,189
MCREF NATICK (MODERA)	$35,492,100	$463,172		$0	$35,492,100	$463,172
CLOVERLEAF APARTMENTS LLC	$33,452,600	$436,556	$3,420	$45	$33,456,020	$436,601
TOTALS:	**$857,221,100**	**$11,186,735**	**$3,717,760**	**$48,517**	**$860,938,860**	**$11,235,252**

TOP 10 TAXPAYER PERCENT OF LEVY = 10.46%

TOTAL ASSESSED VALUES – FISCAL YEAR 2018

LA-4

Assessment / Classification

Status: FORM APPROVED

BLA-LA13A : FORM APPROVED

NATICK - 198 2018

Jurisdiction Natick - 198 Fiscal Year 2018 Go

Property Type	Parcel Count	Class1 Residential	Class2 Open Space	Class3 Commercial	Class4 Industrial	Class5 Pers Prop
101	8,524	4,864,923,700				
102	2,723	888,124,700				
MISC 103,109	40	38,032,300				
104	575	306,389,200				
105	82	44,989,000				
111-125	58	287,506,200				
130-32,106	839	50,524,800				
200-231	0		0			
300-393	542			1,511,934,600		
400-442	50				43,934,900	
450-452	0				0	
CH 61 LAND	0 4		0	13,500		
CH 61A LAND	11 6		0	182,900		
CH 61B LAND	17 0		0	1,333,400		
012-043	46	20,902,500	0	16,338,800	0	
501	994					19,170,260
502	759					35,855,990
503	1					335,690
504	3					70,796,180
505	13					23,231,200
506	0					0
508	4					4,482,400
550-552	0					0
TOTALS	**15,291**	**6,501,392,400**	**0**	**1,529,803,200**	**43,934,900**	**153,871,720**
Real and Personal Property Total Value						**8,229,002,220**
Exempt Parcel Count & Value					682	694,517,100

Projected Tax Rate

The tax rate will be calculated by dividing the actual levy by the total assessed value.

Actual Levy	/	Total Assessed Value	= Tax Rate
$107,388,479	/	$8,229,002,220	= $13.05

*If a residential factor of 1.00 is adopted this maintains a single tax rate

Talking Taxes..

If Natick maintains a single tax rate, we can expect the following:

- We have projected an increase to the average single family tax bill. This is an estimate of $303.65 to the average assessed single family. Remember, 62% of single family homes are below the average single family value.

- Natick's Top 10 Taxpayers will collectively contribute eleven million two hundred thirty five thousand two hundred fifty-two dollars ($11,235,252) in taxes for Fiscal Year 2018. (This includes Personal Property)

- The Top 10 Taxpayers pay 10.46% to Natick's Total Tax Levy.

In Conclusion I am asking the Board to vote.

1. The board must adopt a residential factor.
   Remember this factor represents the minimum percentage of the levy the Residential class must pay and determines the shift towards the CIP class.

   A residential factor of 1.00;
   will result in a single tax rate.

   A residential factor less than 1.00;
   will result in a split tax rate.

The Board may also consider:

1. A residential exemption.

and/or

2. A small commercial exemption.

Typically the exemptions above are found in communities that split the tax rate or that have a large percentage of rental or absentee owners.

Thank You

Jan Dangelo, MAA
Director of Assessing

Eric Henderson, CAE,MAA
Assistant Assessor